

Message Text

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64

ACTION EUR-25

INFO OCT-01 IO-14 ISO-00 NEA-10 ARA-16 AGR-20 CEA-02

CIAE-00 COME-00 DODE-00 EB-11 FRB-02 H-03 INR-10

INT-08 L-03 LAB-06 NSAE-00 NSC-10 PA-04 RSC-01 AID-20

CIEP-02 SS-20 STR-08 TAR-02 TRSE-00 USIA-15 PRS-01

SPC-03 OMB-01 DRC-01 /219 W
----- 073015

R 211730Z DEC 73

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 6194

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION GENEVA

USMISSION OECD PARIS

UNCLAS EC BRUSSELS 7441

E.O. 11652: N/A

TAGS: ECON, EEC

SUBJ: EC GENERALIZED PREFERENCES IN 1974

1. SUMMARY. THE EC COUNCIL HAS APPROVED REGULATIONS GOVERNING THE OPERATION OF THE COMMUNITY'S GENERALIZED PREFERENCE SYSTEM DURING 1974. CHANGES IN THE SYSTEM INCLUDING THE PARTICIPATION OF THE NEW MEMBER STATES FOR THE FIRST TIME, AND A SHIFT IN THE BASE YEAR FROM 1968 TO 1971 FOR THE CALCULATION OF MOST CEILINGS AND TARIFF QUOTAS, WILL RESULT IN THE EXPANSION BY ABOUT 40 PERCENT OF POTENTIAL IMPORT

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OPPORTUNITIES FOR BENEFICIARY LDCS. END SUMMARY.

2. AT THE DECEMBER 17-18 EC COUNCIL MEETING THE FOREIGN MINISTERS APPROVED REGULATIONS GOVERNING THE COMMUNITY'S GENERALIZED PREFERENCE SYSTEM FOR LDCS DURING 1974. (THE REGULATIONS WILL BE FORWARDED TO THE DEPARTMENT WHEN THEY ARE PUBLISHED.)

3. CHANGES IN THE EC SYSTEM FOR 1974 INCLUDE THE FOLLOWING:

A) PARTICIPATION OF THE THREE NEW MEMBER STATES IN THE EC SYSTEM FOR THE FIRST TIME. (DURING 1973 THE UK, DENMARK, AND IRELAND HAVE CONTINUED TO OPERATE UNDER THEIR OWN NATIONAL GSP REGULATIONS.)

B) A SHIFT IN THE BASE YEAR FOR CALCULATIONS OF MOST CEILINGS AND TARIFF QUOTAS FROM 1968 TO 1971. THE EXCEPTION IS IN THE TEXTILE FIELD WHERE PREFERENCES WILL CONTINUE TO BE BASED ON 1968 IMPORT FIGURES.

C) AN INCREASE IN COVERAGE (UNDER REDUCED DUTY RATES) FOR CERTAIN PROCESSED AGRICULTURAL PRODUCTS.

D) A MODEST REDUCTION IN THE NUMBER OF PRODUCTS SUBJECT TO TARIFF QUOTAS AND STRICT SURVEILLANCE.

E) THE INCLUSION OF ROMANIA AS A BENEFICIARY BUT UNDER CAREFULLY CIRCUMSCRIBED CONDITIONS WITH SEVERAL KEY INDUSTRIAL SECTORS EXCLUDED FROM PREFERENTIAL ACCESS.

F) CONCESSIONS NEGOTIATED SEPARATELY WITH INDIA (JUTE AND COIR PRODUCTS) AND WITH BRAZIL (SOLUBLE COFFEE AND COCOA BUTTER) HAVE BEEN INCLUDED IN THE SCHEME AS HAVE CONCESSIONS ON CRUSHED PINEAPPLE MADE IN THE CONTEXT OF THE EC'S ARTICLE 24:6 OFFER.

4. ACCORDING TO THE EC COMMISSION, THESE CHANGES SHOULD INCREASE THE OPPORTUNITIES FOR PREFERENTIAL ACCESS TO THE COMMUNITY FOR BENEFICIARY COUNTRIES TO APPROXIMATELY TWO BILLION UNITS OF ACCOUNT FOR INDUSTRIAL GOODS OTHER THAN TEXTILES; 500 MIL-
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LION UA FOR TEXTILE PRODUCTS AND ROUGHLY 218 MILLION UA AS THE RESULT OF REDUCED DUTIES ON PROCESSED AGRICULTURAL PRODUCTS. (ONE UA EQUALS DOLS 1.20.)

5. THE COMMISSION TRIED, BUT AGAIN FAILED TO OBTAIN COUNCIL APPROVAL FOR THE ESTABLISHMENT OF A COMMUNITY RESERVE WITHIN INDIVIDUAL TARIFF QUOTAS AS A MEANS OF ACHIEVING GREATER UTILIZATION OF THESE QUOTAS. COMMISSION CALCULATIONS INDICATE THAT ON

AVERAGE ONLY 39 PERCENT OF THE TARIFF QUOTAS ESTABLISHED ON INDUSTRIAL PRODUCTS IN 1972 WERE UTILIZED. THE CORRESPONDING FIGURE ON TEXTILE PRODUCTS WAS 45 PERCENT AND ON ECSC PRODUCTS, 70 PERCENT. DESPITE MEMBER STATE REJECTION THIS YEAR, THE COMMISSION BELIEVES THAT IT HAS AGREEMENT IN PRINCIPLE TO ADOPT A COMMUNITY RESERVE SYSTEM IN 1975. THE COMMISSION ALSO EXPECTS TO COME BACK NEXT YEAR WITH PROPOSALS NOT UNLIKE THE U.S. COMPETITIVE NEED CONCEPT THAT WOULD EXCLUDE FROM PREFERENTIAL TREATMENT EXPORTS OF CERTAIN PRODUCTS FROM PARTICULAR LDCS BASED ON EC JUDGMENT AS TO THEIR COMPETITIVENESS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TEXTILE INDUSTRY, GENERALIZED PREFERENCES (TARIFFS)
Control Number: n/a
Copy: SINGLE
Draft Date: 21 DEC 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973ECBRU07441
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731211/aaaaahwj.tel
Line Count: 127
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 13 SEP 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <13-Sep-2001 by thomasv0>; APPROVED <18 MAR 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EC GENERALIZED PREFERENCES IN 1974
TAGS: ECON, XX, EEC
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005